

VILLAGE OF CONSTANTINE
ST. JOSEPH COUNTY, MICHIGAN

AUDIT REPORT

FOR THE YEAR ENDED MARCH 31, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Constantine	County St Joseph
Fiscal Year End 03/31/07	Opinion Date 11/28/07	Date Audit Report Submitted to State 12/04/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

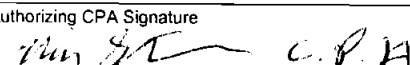
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

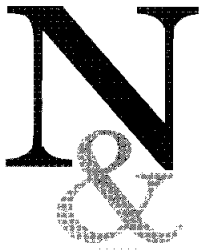
If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Norman & Paulsen PC		Telephone Number 269-273-8641	
Street Address 123 North Main Street		City Three Rivers	State MI
Authorizing CPA Signature 		Printed Name Rick Strawser CPA	Zip 49093
		License Number 16951	

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INDEPENDENT AUDITOR'S REPORT

Norman & Paulsen, P.C.

Certified Public Accountants

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Members of the Village Council
Village of Constantine,
St. Joseph County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the component unit, and each major fund, and the aggregate remaining fund information of the Village of Constantine, St. Joseph County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the component unit, each major fund, and the aggregate remaining fund information of the Village of Constantine, Michigan as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information beginning on page iii through viii and 26 through 28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Donald L. Paulsen, CPA
Patrick J. Monahan, CPA
Bruce S. A. Gosling, CPA
Michael R. Wilson, CPA
Rick L. Strawser, CPA
Jerrel T. Norman (1941-1982)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Constantine's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Norman & Paulsen

Norman & Paulsen, P.C.

November 27, 2007
Three Rivers, Michigan

Village of Constantine
Management's Discussion and Analysis
March 31, 2007

As management of the Village of Constantine, we offer readers of the Village of Constantine financial statements this narrative overview and analysis of the financial activities of the Village of Constantine for the fiscal year ended March 31, 2007.

Financial Highlights

- The assets of the Village of Constantine exceeded its liabilities at March 31, 2007, by \$5,936,268. Of this amount, unrestricted net assets of \$1,885,728 may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net assets increased by \$473,971. Of this amount, \$414,914 was associated with governmental activities whereas, business – type activities resulted in an increase of net assets by \$59,057.
- As of the close of the current fiscal year, the Village of Constantine's governmental funds reported ending fund balances of \$1,199,785. Of this amount, \$258,050 is unreserved and available for spending.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$166,615 or 15.78 % of total General Fund expenditures.
- The Village of Constantine's total long-term debt obligations is \$2,835,000. This is a decrease of \$130,000 from the prior year.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Constantine's basic financial statements. The Village of Constantine basic financial statements are comprised of 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

(1) Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village of Constantine's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the Village assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

(2) Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Village of Constantine can be divided into two categories: (a) governmental funds and (b) proprietary funds.

(2a) Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Village maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, major street fund, local street fund, and the debt-service sewer 1997 fund. Data from the seven other funds are combined into a single, aggregated presentation within the above named statements. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Village of Constantine adopts a one-year budget for all funds. A budgetary comparison statement has been provided for the general fund, major street fund and local street fund to demonstrate compliance for the fiscal year end of March 31, 2007.

(2b) Proprietary Funds

The Village of Constantine maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village maintains two individual enterprise funds. Information is presented separately in the proprietary statement of net assets and proprietary statement of revenues, expenses and changes in fund net assets for the Sewer Operation and Maintenance Fund and Water Fund, which are considered to be major funds. Internal service funds are used to accumulate and allocate costs internally among the Village's various functions. The Village of Constantine uses an internal service fund to account for its fleet purchases and maintenance.

(3) Component Unit Financial Statements

The Village's financial statements include financial data of the Downtown Development Authority. The component unit is described in the notes to the financial statements. The component unit is a separate entity and may buy, sell, lease and mortgage property in its own name.

(4) Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They are found on pages 14 – 25.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other required supplementary information on pages 26 - 28. This section includes budgetary comparisons for all major governmental funds. The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplementary information on pages 29 – 30.

Governmental-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At March 31, 2007, the Village's assets exceeded liabilities by \$5,927,580. The Village's investment in capital assets, less any related outstanding debt used to acquire those assets, reflects by far the largest portion of the Village's net assets (54.14%). Capital assets are used to provide services to citizens and they are not available for future spending. It should be noted that the resources needed to repay the remaining debt of capital assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Village of Constantine's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	\$1,767,316	\$1,778,445	\$1,230,251	\$1,116,182	\$2,997,567	\$2,894,627
Capital assets	<u>4,929,123</u>	<u>4,602,620</u>	<u>1,124,524</u>	<u>1,192,376</u>	<u>6,053,647</u>	<u>5,794,996</u>
Total assets	<u>\$6,696,439</u>	<u>\$6,381,065</u>	<u>\$2,354,775</u>	<u>\$2,308,558</u>	<u>\$9,051,214</u>	<u>\$8,689,623</u>
Liabilities						
Current liabilities	\$ 348,618	\$ 303,158	\$76,328	\$ 89,168	\$ 424,946	\$ 392,326
Long-term liabilities	<u>2,690,000</u>	<u>2,835,000</u>	<u>-</u>	<u>-</u>	<u>2,690,000</u>	<u>2,835,000</u>
Total Liabilities	<u>\$3,038,618</u>	<u>\$3,138,158</u>	<u>\$ 76,328</u>	<u>\$ 89,168</u>	<u>\$3,114,946</u>	<u>\$3,227,326</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	\$2,094,123	\$1,637,620	\$1,130,427	\$1,192,376	\$3,224,550	\$2,829,996
Restricted	825,990	796,357	-	-	825,990	796,357
Unrestricted	<u>737,708</u>	<u>808,930</u>	<u>1,148,020</u>	<u>1,027,014</u>	<u>1,885,728</u>	<u>1,835,944</u>
Total Net Assets	<u>\$3,657,821</u>	<u>\$3,242,907</u>	<u>\$2,278,447</u>	<u>\$2,219,390</u>	<u>\$5,936,268</u>	<u>\$5,462,297</u>

The unrestricted balance of net assets, \$1,885,728, may be used to meet the Village's on going obligations to citizens and creditors.

VILLAGE OF CONSTANTINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2007

Analysis of the Village's Operations

The following table provides a summary of the Village's operations for the year ended March 31, 2007.

Village of Constantine's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 102,084	\$ 60,082	\$ 824,986	\$ 756,613	\$918,779	\$ 816,695
Operating grants and Contributions	360,000	54,249	-	-	360,000	54,249
General revenues:						
Property taxes	1,100,863	1,112,656	-	-	1,110,863	1,112,656
State revenue-sharing	167,407	160,436	-	-	167,407	160,436
Licenses and permits	10,661	7,313	-	-	10,661	7,313
Interest	82,210	40,314	39,484	24,957	121,694	65,271
Proceeds from lawsuit	-	475,000	-	-	-	475,000
Other	<u>42,534</u>	<u>18,444</u>	<u>-</u>	<u>-</u>	<u>42,534</u>	<u>18,444</u>
Total Revenues	1,865,759	1,928,494	864,043	781,570	2,729,802	2,710,064
Expenses:						
General government	308,337	283,272	-	-	308,337	283,272
Public safety	545,515	519,534	-	-	545,515	519,534
Public works	327,280	360,863	737,561	832,390	1,064,841	1,193,253
Interest on long-term debt	146,583	152,397	-	-	146,583	152,397
Depreciation - unallocated	<u>123,130</u>	<u>111,118</u>	<u>67,852</u>	<u>68,036</u>	<u>190,982</u>	<u>179,154</u>
Total Expenses	<u>1,450,845</u>	<u>1,427,184</u>	<u>805,413</u>	<u>900,426</u>	<u>2,256,258</u>	<u>2,327,610</u>
Increase/Decrease in net assets	414,914	501,310	59,057	(118,856)	473,971	382,454
Net Assets - Beginning of Year	<u>3,242,907</u>	<u>2,741,597</u>	<u>2,219,390</u>	<u>2,338,246</u>	<u>5,462,297</u>	<u>5,079,843</u>
Net Assets - End of Year	<u>\$3,657,821</u>	<u>\$3,242,907</u>	<u>\$2,278,447</u>	<u>\$2,219,390</u>	<u>\$5,936,268</u>	<u>\$5,462,297</u>

Governmental Activities

Governmental activities increased the Village's net assets by \$414,914. Key elements of this increase are as follows:

1. Award of \$360,000 federal grant for road repairs.

Business-type Activities

Business-type activities increased the Village's net assets by \$59,057. This increase was primarily due to the reduction in repair and maintenance expenses from the prior year.

Financial Analysis of the Government's Funds

As noted earlier, the Village of Constantine uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Government Funds

The purpose of the Village's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the Village's chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$166,615 while the total fund balance was \$247,040.

As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 15.59% of total General Fund expenditures, while total fund balance represents 23.12% of that same amount.

Proprietary Funds

The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Operation/Maintenance Fund and the Water Fund at the end of the year were \$1,018,151 and \$134,804, respectively. The Sewer Fund showed an increase in net assets of \$92,750 while the Water Fund showed an increase of \$25,281.

General Fund Budgetary Highlights

The original General Fund budget was not amended.

Actual revenues were \$57,019 more than budgeted. Property taxes were \$62,599 less than budgeted, lease payments were \$30,000 more than budgeted and State shared revenues were \$98,815 more than budgeted. The Village received \$12,335 more of interest income than budgeted.

Actual expenses were \$73,359 less than budgeted. As shown on the Budgetary Comparison on page 26 of the financial statements some of the different departments incurred less expenditure than budgeted while other departments incurred more expenditures than budgeted for a net favorable position.

Capital Assets and Debt Administration

The Village's investment in capital assets for its governmental and business-type activities at March 31, 2007 amounts to \$6,053,647. The investment in capital assets includes sewer system improvements and equipment within the Village.

During the current fiscal year the Village invested \$129,4578 in building improvements, \$431,933 in infrastructure improvements and \$31,965 in office and general equipment. Additional information on the Village's capital assets can be found in Notes 1 and 5 on pages 16 – 17, 21 – 23.

Long-term Debt

At the end of the 2006-2007 fiscal year, the Village had \$2,835,000 in outstanding general obligation bonds, secured by specific revenue sources. These bonds relate to improvements to the water and sewer operations.

Economic Factors and Next Year's Budgets and Rates

The Village of Constantine Council has shown fiscal responsibility in its planning for budget and spending practices. The Village has completed four years of strategic planning with plans for continuation into future years. Additionally, the Council monitored and responded to continuing concerns over potential State Revenue Sharing cuts. Monthly reports of bills for the previous month are submitted to Council for their approval, additionally, a quarterly financial budget report is provided to Council. Budgets for the March 31, 2008 fiscal year were prepared based on the following assumptions.

State revenues will remain the same as the prior year.

The construction of Water Street will be completed.

Requests for Information

This financial report is designed to provide a general overview of the Village of Constantine's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or for additional financial information should be addressed to:

Village of Constantine,
115 White Pigeon St.
Constantine, Michigan 49042.

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

**STATEMENT OF NET ASSETS
MARCH 31, 2007**

	Primary Government			Component Units
	Governmental Activities	Business -Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 167,642	\$ 1,053,948	\$ 1,221,590	\$ 7,841
Investments	742,828	44,572	787,400	-
Receivables (net)	32,479	114,961	147,440	-
Receivables from other governments	37,719	-	37,719	-
Inventories	-	10,826	10,826	-
Prepaid expenses	38,618	5,944	44,562	-
Assets restricted by bond indentures	748,030	-	748,030	-
Capital assets - net	4,929,123	1,124,524	6,053,647	96,829
Total Assets	<u>\$ 6,696,439</u>	<u>\$ 2,354,775</u>	<u>\$ 9,051,214</u>	<u>\$ 104,670</u>
LIABILITIES				
Cash overdrafts	\$ 149,664	\$ -	\$ 149,664	\$ -
Accounts payable	4,338	43,008	47,346	-
Accrued payroll and other liabilities	35,406	12,999	48,405	-
Customer security deposits	-	20,321	20,321	1,389
Due to other governments	5,760	-	5,760	-
Deferred revenue - trees	8,450	-	8,450	-
Noncurrent liabilities				
Due within one year	145,000	-	145,000	-
Due in more than one year	2,690,000	-	2,690,000	111,969
Total Liabilities	<u>\$ 3,038,618</u>	<u>\$ 76,328</u>	<u>\$ 3,114,946</u>	<u>\$ 113,358</u>
NET ASSETS				
Invested in capital assets				
Net of related debt	\$ 2,094,123	\$ 1,130,427	\$ 3,224,550	\$ (15,140)
Restricted for				
Debt service	825,990	-	825,990	-
Unrestricted	737,708	1,148,020	1,885,728	6,452
Total Net Assets	<u>\$ 3,657,821</u>	<u>\$ 2,278,447</u>	<u>\$ 5,936,268</u>	<u>\$ (8,688)</u>

See accompanying notes to financial statements

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary Government			
General government	\$ 303,837	\$ 30,000	\$ 90,000
Public safety	545,515	72,084	-
Public works	327,280	-	270,000
Contribution to component unit	4,500	-	-
Interest on long-term debt	145,483	-	-
Bond agent fees	1,100	-	-
Depreciation - unallocated	123,130	-	-
Total Governmental Activities	<u>1,450,845</u>	<u>102,084</u>	<u>360,000</u>
Business - Type Activities			
Water and Sewer	<u>805,413</u>	<u>824,986</u>	<u>-</u>
Total Primary Government	<u>\$ 2,256,258</u>	<u>\$ 927,070</u>	<u>\$ 360,000</u>
Component unit:			
Downtown Development Authority	<u>\$ 19,551</u>	<u>\$ -</u>	<u>\$ 625</u>

General Revenues
Property Taxes
State-Shared Revenues
Licenses and Permits
Unrestricted Investment Earnings
Miscellaneous
Contributions
Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ (183,837)	\$ -	\$ (183,837)	\$ -
(473,431)	-	(473,431)	-
(57,280)	-	(57,280)	-
(4,500)	-	(4,500)	-
(145,483)	-	(145,483)	-
(1,100)	-	(1,100)	-
(123,130)	-	(123,130)	-
<u>(988,761)</u>	<u>-</u>	<u>(988,761)</u>	<u>-</u>
-	19,573	19,573	-
<u>\$ (988,761)</u>	<u>\$ 19,573</u>	<u>\$ (969,188)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,926)</u>
1,100,863	-	1,100,863	-
167,407	-	167,407	-
10,661	-	10,661	-
82,210	41,034	123,244	11,153
34,020	-	34,020	2,430
6,964	-	6,964	4,500
1,550	(1,550)	-	-
<u>1,403,675</u>	<u>39,484</u>	<u>1,443,159</u>	<u>18,083</u>
414,914	59,057	473,971	(843)
<u>3,242,907</u>	<u>2,219,390</u>	<u>5,462,297</u>	<u>(7,845)</u>
<u>\$ 3,657,821</u>	<u>\$ 2,278,447</u>	<u>\$ 5,936,268</u>	<u>\$ (8,688)</u>

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2007**

	General Fund	Major Street Fund	Local Street Fund	Debt-Service Sewer 1997 Fund
ASSETS				
Cash and cash equivalents	\$ 250	\$ 40,326	\$ 17,007	\$ -
Investments	437,005	-	-	5,367
Receivables (net)	20,025	-	-	5,362
Receivables from other governments	9,486	20,593	7,640	-
Due from other funds	3,785	-	-	-
Prepaid expenses	22,985	792	396	-
Restricted cash and cash equivalents	-	-	-	663,260
Total Assets	<u>\$ 493,536</u>	<u>\$ 61,711</u>	<u>\$ 25,043</u>	<u>\$ 673,989</u>
LIABILITIES				
Cash overdraft	\$ 149,664	\$ -	\$ -	\$ -
Accounts payable	2,134	1,647	-	-
Other accrued liabilities	30,488	1,741	1,533	-
Due to other governments	5,760	-	-	-
Due to other funds	50,000	-	-	1,054
Deferred revenues - trees	8,450	-	-	-
Total Liabilities	<u>\$ 246,496</u>	<u>\$ 3,388</u>	<u>\$ 1,533</u>	<u>\$ 1,054</u>
FUND BALANCES				
Reserved for				
Fire truck	\$ 80,425	\$ -	\$ -	\$ -
Debt service - 1997 sewer	-	-	-	672,935
Debt service - 1997 water system	-	-	-	-
Capital improvements	-	-	-	-
Debt service - 2001 sewer	-	-	-	-
Sinking fund	-	-	-	-
	80,425	-	-	672,935
Unrestricted	166,615	58,323	23,510	-
Total Fund Balances	<u>247,040</u>	<u>58,323</u>	<u>23,510</u>	<u>672,935</u>
Total Liabilities and Fund Balances	<u>\$ 493,536</u>	<u>\$ 61,711</u>	<u>\$ 25,043</u>	<u>\$ 673,989</u>

See accompanying notes to financial statements

Nonmajor Governmental Funds	Total Governmental Funds
\$ 44,922	102,505
64,859	507,231
6,157	31,544
-	37,719
-	3,785
-	24,173
84,770	748,030
<u>\$ 200,708</u>	<u>\$ 1,454,987</u>
\$ -	\$ 149,664
-	3,781
-	33,762
-	5,760
2,731	53,785
-	8,450
<u>\$ 2,731</u>	<u>\$ 255,202</u>
\$ -	\$ 80,425
-	672,935
97,289	97,289
27,124	27,124
55,766	55,766
8,196	8,196
188,375	941,735
9,602	258,050
197,977	1,199,785
<u>\$ 200,708</u>	<u>\$ 1,454,987</u>

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS
OF GOVERNMENTAL ACTIVITIES

MARCH 31, 2007

Total governmental fund balances		\$ 1,199,785
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

Cost of capital assets	6,985,432	
Less accumulated depreciation	<u>(2,215,809)</u>	4,769,623

Internal service funds are used to charge the costs of certain activities such as rental of equipment to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets, net of \$4,935 allocated against business-type activities.

523,413

Long-term liabilities are not due and payable in the current period and not reported in the funds.

(2,835,000)

Net Assets of Governmental Activities

\$ 3,657,821

See accompanying notes to financial statements

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2007**

	General Fund	Major Street Fund	Local Street Fund	Debt-Service Sewer 1997 Fund
Revenues				
Taxes and Penalties	\$ 796,647	\$ 15,325	\$ 25,004	\$ 103,839
Licenses and Permits	10,661	-	-	-
Federal Grants	-	270,000	-	-
State Grants	100,015	115,088	42,304	-
Contributions	6,964	-	-	-
Charges for Services	58,193	-	-	-
Fines and Forfeits	13,891	-	-	-
MSHDA lease rents	30,000	-	-	-
Interest	19,835	5,954	1,266	32,511
Other Revenue	17,795	-	-	-
Total Revenues	1,054,001	406,367	68,574	136,350
Expenditures				
Current				
General Government	259,009	17,578	16,185	-
Public Safety	501,572	-	-	-
Public Works	160,163	67,485	60,605	-
Contribution to Component Unit	4,500	-	-	-
Capital Outlay	130,630	426,221	5,712	-
Debt Service				
Paying agent fees	-	-	-	300
Bond principal	-	-	-	75,000
Bond interest	-	-	-	54,195
Total Expenditures	1,055,874	511,284	82,502	129,495
Excess (deficiency) of Revenues Over Expenditures	(1,873)	(104,917)	(13,928)	6,855
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers (Out)	(13,000)	-	-	-
Total Other Financing Sources(Uses)	(13,000)	-	-	-
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(14,873)	(104,917)	(13,928)	6,855
Fund Balance - April 1, 2006	261,913	163,240	37,438	666,080
Fund Balance - March 31, 2007	\$ 247,040	\$ 58,323	\$ 23,510	\$ 672,935
See accompanying notes to financial statements				

Nonmajor Governmental Funds	Total Governmental Funds
\$ 160,048	\$ 1,100,863
-	10,661
-	270,000
-	257,407
-	6,964
-	58,193
-	13,891
-	30,000
9,980	69,546
15,460	33,255
185,488	1,850,780
11,064	303,836
-	501,572
-	288,253
-	4,500
5,189	567,752
800	1,100
55,000	130,000
91,288	145,483
163,341	1,942,496
22,147	(91,716)
7,825	7,825
-	(13,000)
7,825	(5,175)
29,972	(96,891)
168,005	1,296,676
\$ 197,977	\$ 1,199,785

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	(96,891)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(233,533)	
Cost of capital outlay	<u>567,752</u>	334,219

Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities where it reduces long-term debt.	130,000
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Internal service funds are used to charge the rental of certain equipment to individual funds. The net revenue of the internal service funds are shown with governmental activities except for \$2,975 allocated to business-type activities.	<u>47,586</u>
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Change in Net Assets of Governmental Activities	\$	<u>414,914</u>
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See accompanying notes to financial statements

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
MARCH 31, 2007**

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Totals	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 972,057	\$ 81,891	\$ 1,053,948	\$ 65,137
Investments	-	44,572	44,572	235,597
Receivables - net	92,762	22,199	114,961	935
Due from other funds	-	-	-	50,000
Inventories	-	10,826	10,826	-
Prepaid insurance	3,566	2,378	5,944	9,510
Total current assets	1,068,385	161,866	1,230,251	361,179
Noncurrent assets				
Capital assets	903,100	221,424	1,124,524	159,500
Total Assets	<u>\$ 1,971,485</u>	<u>\$ 383,290</u>	<u>\$ 2,354,775</u>	<u>\$ 520,679</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 38,023	\$ 50	\$ 38,073	\$ 557
Accrued payroll and other liabilities	6,308	6,691	12,999	1,644
Customer security deposits	-	20,321	20,321	-
Total current liabilities	44,331	27,062	71,393	2,201
Total Liabilities	<u>\$ 44,331</u>	<u>\$ 27,062</u>	<u>\$ 71,393</u>	<u>\$ 2,201</u>

See accompanying notes to financial statements

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF NET ASSETS (CONTINUED)
 PROPRIETARY FUNDS
 MARCH 31, 2007

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Totals	
NET ASSETS				
Invested in capital assets -				
Net of related debt	\$ 909,003	\$ 221,424	\$ 1,130,427	\$ 159,500
Unrestricted	1,018,151	134,804	1,152,955	358,978
Total Net Assets	<u>\$ 1,927,154</u>	<u>\$ 356,228</u>	2,283,382	<u>\$ 518,478</u>

Reconciliation to the statement of net assets

Internal service funds are used to charge the costs of certain activities, such as equipment rental to individual funds. The assets and liabilities of certain internal service funds are included with business-type activities in the statement of net assets.

	(4,935)
Net assets of business-type activities	<u>\$ 2,278,447</u>

See accompanying notes to financial statements

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2007**

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Totals	
Operating revenues				
Metered sales	\$ -	\$ 179,898	\$ 179,898	\$ -
Sewage disposal services	631,636	-	631,636	-
Equipment rentals	-	-	-	125,675
Penalties and interest charges	8,830	2,423	11,253	-
Installation and other charges	-	2,199	2,199	765
Total operating revenues	640,466	184,520	824,986	126,440
Operating expenses				
Personnel services	62,970	82,236	145,206	19,852
Contractual services	466,237	4,224	470,461	963
Utilities	15,218	13,827	29,045	5,320
Repairs and maintenance	16,761	35,512	52,273	10,301
Other supplies and expenses	16,281	27,270	43,551	25,391
Depreciation	51,396	16,456	67,852	33,440
Total operating expenses	628,863	179,525	808,388	95,267
Operating income (loss)	11,603	4,995	16,598	31,173
Nonoperating revenues (expenses)				
Interest revenue	36,429	4,605	41,034	12,664
Income (loss) before contributions and transfers in and (out)	48,032	9,600	57,632	43,837
Transfers in and out	(775)	(775)	(1,550)	6,725
Change in net assets	47,257	8,825	56,082	50,562
Total net assets - beginning of year	1,879,897	347,403	2,227,300	467,916
Total net assets - end of year	\$ 1,927,154	\$ 356,228	2,283,382	\$ 518,478

Amounts reported for business-type activities in the government-wide

Statement of Activities are different because:

 Net change in net assets - total business-type funds

56,082

 Net effect of elimination of internal service fund
 activities.

2,975

Change in net assets of business-type activities

\$ 59,057

See accompanying notes to financial statements

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2007**

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 655,185	\$ 194,862	\$ 850,047	\$ -
Receipts from interfund services	-	-	-	125,675
Payments to suppliers	(514,836)	(73,694)	(588,530)	(42,300)
Payments to employees	(62,070)	(80,949)	(143,019)	(22,829)
Payments for interfund services	(3,343)	(8,953)	(12,296)	-
Other receipts (payments)	-	(8,695)	(8,695)	765
Net cash provided (used) by operating activities	74,936	22,571	97,507	61,311
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating subsidies and transfers to other funds	(775)	(775)	(1,550)	6,725
Net cash provided (used) by noncapital financing activities	(775)	(775)	(1,550)	6,725
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	-	-	-	(25,724)
Net cash provided (used) by capital and related financing activities	-	-	-	(25,724)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	(1,964)	(1,964)	(10,377)
Interest and dividends	36,429	4,554	40,983	12,396
Net cash provided by investing activities	36,429	2,590	39,019	2,019
Net increase (decrease) in cash and cash equivalents	110,590	24,386	134,976	44,331
Balances - beginning of year	861,467	57,505	918,972	20,806
Balances - end of year	<u>\$ 972,057</u>	<u>\$ 81,891</u>	<u>\$ 1,053,948</u>	<u>\$ 65,137</u>

See accompanying notes to financial statements

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF CASH FLOWS (CONTINUED)
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED MARCH 31, 2007

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Totals	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 11,603	\$ 4,995	\$ 16,598	\$ 31,173
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	51,396	16,456	67,852	33,440
(Increase) decrease in assets				
Receivables	14,719	10,342	25,061	-
Inventories	-	-	-	-
Prepaid expenses	(1,491)	(649)	(2,140)	68
Increase (decrease) in liabilities				
Accounts payables	(2,191)	(1,166)	(3,357)	(393)
Accrued expenses	900	1,288	2,188	(2,977)
Customer security deposits	-	(8,695)	(8,695)	-
Net cash provided by operating activities	<u>\$ 74,936</u>	<u>\$ 22,571</u>	<u>\$ 97,507</u>	<u>\$ 61,311</u>

See accompanying notes to financial statements

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF NET ASSETS
COMPONENT UNIT
MARCH 31, 2007

	<u>Downtown Development Authority</u>
ASSETS	
Cash and cash equivalents	\$ 7,841
Capital assets - net	<u>96,829</u>
Total Assets	<u>\$ 104,670</u>
LIABILITIES	
Customer security deposits	\$ 1,389
Noncurrent liabilities	
Due within one year	-
Due in more than one year	<u>111,969</u>
Total Liabilities	<u>\$ 113,358</u>
NET ASSETS	
Invested in capital assets -	
Net of related debt	\$ (15,140)
Unrestricted	<u>6,452</u>
Total Net Assets	<u>\$ (8,688)</u>

See accompanying notes to financial statements

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF ACTIVITIES
COMPONENT UNIT
FOR THE YEAR ENDED MARCH 31, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Assets
				Downtown
				Development
				Authority
Downtown Development Authority				
Community and economic development	\$ 14,193	\$ -	\$ 625	\$ (13,568)
Interest on long-term debt	5,358	-	-	(5,358)
Total Downtown Development Authority	\$ 19,551	\$ -	\$ 625	(18,926)
General Revenues				
Rents				11,145
Unrestricted interest and investment earnings				8
Contribution from General Fund				4,500
Miscellaneous				2,430
Total general revenues				18,083
Change in Net Assets				(843)
Net Assets - Beginning of Year				(7,845)
Net Assets - End of Year				\$ (8,688)

See accompanying notes to financial statements

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Constantine conform to the accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Constantine:

A. Reporting Entity

An elected 7-member council governs the Village of Constantine. The accompanying financial statements present the government and its component unit, the Downtown Development Authority, which the government is considered to be financially accountable. Although component units are legal separate entities, in substance, they are part of the government's operations. The Downtown Development Authority is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

One of the revenue types for which receivables are recorded on the governmental fund balance sheet is property taxes. Property tax is levied on each July 1st on the taxable valuation of property located in the Village of Constantine as of the preceding December 1st.

It is the Village of Constantine's policy to recognize revenue from the current tax levy in the current year with the proceeds of this levy being budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 taxable valuation of the Village of Constantine totaled \$62,569,404 on which ad valorem taxes levied consisted of 10.5 mills for the Village of Constantine's operating purposes, 5.25 mills for IFT, and 4.7 mills for debt service, raising \$518,363 for operating, \$69,306 for IFT, \$263,044 for debt service and \$19,304 for special assessments. These amounts are recognized in the respective General, Special Revenue and Debt Service Fund financial statements as taxes receivable – current or as property tax revenue.

The governmental fund financial statements report the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets, whereas, the Local Street Fund accounts for resources restricted for use on local streets.

The governmental fund financial statements report the following major proprietary funds:

Water Fund - The Water Fund accounts for revenues generated from charges for distribution of water to the residential and commercial users of the Village.

Sewer Fund - The Sewer Fund accounts for revenues generated from charges for sanitary sewer services provided to the residential and commercial users of the Village.

Additionally, the government reports the following fund type:

Internal Service Fund - The Internal Service Fund accounts for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the government on a cost reimbursement basis.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Village has elected to follow private sector standards issued after November 30, 1989 for its business-type activities.

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 1 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank deposits and Investments-Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and payables-In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statement as "internal balances."

No allowance for uncollectible accounts has been provided. Management has evaluated the accounts and believes they are all collectible.

Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 1st. Taxes are considered delinquent on September 15th, at which time penalties and interest are assessed.

Inventories and Prepaid Items-Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets-The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the Village's water and sewer lines.

Capital Assets-Capital assets, which include property, plant, equipment, infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year \$-0- of interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 – 40 years
Water and sewer lines	50 years
Water and sewer equipment	10 –20 years
Fire hydrants	50 years
Roads	5 – 30 years
Sidewalks	30 years
Vehicles	10 years
Fire trucks/ambulances	10 – 15 years
Fire and police equipment	7 years
Office equipment	7 years
Computer equipment	5 years

Compensated Absences (Vacation and Sick Leave)-Employees earn vacation days based on their hiring anniversary date. Depending upon an employee's specific union agreement, unused vacation days may not accumulate from year to year. However, vacation benefits for any given year are 100% vested upon termination if the individual has completed at least one year of service. The Village of Constantine's accrued vacation pay totaled \$16,118 at March 31, 2007. Sick pay is cumulative from year to year up to a maximum of 50 or 65 days with no benefit paid upon termination, depending upon an employee's specific union contract agreement.

Long-Term Obligations-In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity-In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. Restricted net assets relates to debt service funds which is imposed by Michigan law.

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information-Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. Public hearings are held to obtain taxpayer comments before the Village Council approves the budgets. The Council must approve any revisions of the budgets.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the departmental level.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the District incurred expenditures in excess of the amounts appropriated in the following budgeted line items:

Budget Budget item	Appropriation	Actual Expenditure	Excess Expenditure
<u>General Fund:</u>			
Council	169,469	316,039	146,570
Village manager	39,353	39,780	427
Public works			
Buildings and grounds	141,268	160,793	19,525
<u>Major Streets</u>			
Road construction	348,000	406,695	58,695
Street maintenance	42,871	43,916	1,045
Nonmotorized	1,204	19,526	18,322
Supervision	11,127	17,578	6,451
<u>Local Streets</u>			
Street maintenance	34,213	42,848	8,635

NOTE 3 DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes local government units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Village of Constantine is authorized to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2007

The Village of Constantine Board has designated two banks for the deposit of the Village's funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Village has adopted Governmental Accounting Standard Board Statement (GASBS) No.40 – Deposit and Investment Risk Disclosures. GASB No. 40 defines deposits as monies in banks, savings and loan associations, and credit unions. The Village holds the following types of deposits:

- a. Checking Accounts and Demand Deposits.
- b. Savings Accounts and Time Deposits.
- c. Nonnegotiable Certificates of Deposit (CDs).

GASB No. 40 defines investments as, a security or other assets acquired primarily for the purpose of obtaining income or profit. These are not monies held with financial institutions and insured by Federal Depository Insurance. The following holdings of the Village meet the definition of investments:

- a. U.S. Government Securities.
- b. Repurchase agreements involving U.S. Government Securities.
- c. External investment pools that invest in U.S. Government Securities.

At fiscal year-end, in addition to Petty Cash of \$375, the Village of Constantine's basic financial statements report deposits and investments in the following categories:

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit
Deposits	\$ 17,728	\$1,053,823	\$1,071,551	\$7,841
Restricted deposits	748,030	-	748,030	-
Unrestricted investment	672,602	44,572	717,174	-
Restricted Investments	70,226	-	70,226	-
Total	<u>\$1,508,586</u>	<u>\$1,098,395</u>	<u>\$2,606,981</u>	<u>\$7,841</u>

Custodial Credit Risk-Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodian credit risk. As of March 31, 2007, the government's bank balance of deposits was \$1,844,322 of which \$1,429,538 was exposed to custodial credit risk because it was uninsured and uncollateralized. There were \$24,739 of outstanding checks and \$0 outstanding deposits at March 31, 2007.

The component unit's bank balance deposits total \$7,841 of which all was covered by federal depository insurance and \$-0- was collateralized. Therefore, the competent unit had no custodial credit risk at March 31, 2007.

Interest rate risk-Investments. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Village invests in public investment fund trusts and government cash reserve accounts that have mainly short-term holdings thus reducing the interest rate risk.

At March 31, 2007 the Village had invested \$636,749 in a government cash reserves account that was invested in U.S. Government Agencies with an interest rate of 4.67%. The average maturity of the holdings: 50.2% of fund <30 days; 44.8% of the fund 31-90 days; .9% of the fund 91-180 days and 4.1% of the fund 181 + days.

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

At March 31, 2007 the Village had invested \$150,651 in a public investment fund that invests in Fidelity Institutional Money Market Funds: Treasury Portfolio Class I. These are all short-term holdings. At March 31, 2007 this fund was entirely repurchase agreements. Normally this fund invests at least 80% of assets in U.S. Treasury securities and repurchase agreements for those securities.

Credit Risk-Investments. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Both the Fidelity Institutional Money Market Funds: Treasury Portfolio Class I and the government cash reserves fund have a rating of AAAM by Standard & Pours and a rating of Aaa by Moody's. The government cash reserves fund is guaranteed by the United States of America.

Concentration of Credit Risk. The Village places no limit on the amount the Village may invest in any one issuer.

NOTE 4 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to:	Due from:	
Internal service	General	\$50,000
General	Debt service sewer 1997	1,054
General	Debt service sewer 2001	2,179
General	Debt service water	<u>552</u>
Total		<u>\$53,785</u>
Interfund Transfers		
<u>Transfers To (fund)</u>	<u>Transfers From (fund)</u>	<u>Amount</u>
Sinking fund	General	\$ 5,500
Internal service	General	7,500
Capital improvement	Sewer	775
Capital improvement	Water	775
Capital improvement	Internal service	<u>775</u>
Total		<u>\$15,325</u>

The transfer to the Sinking and Capital Improvement Funds were done to accumulate monies for use in purchasing Village assets. The transfer to the Internal Service fund partially covered the purchase of a police car.

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 5 CAPITAL ASSETS

The following summarizes the changes in capital assets for the fiscal year ended March 31, 2007:

Governmental Activities

	Balance April 1, 2006	Increases	Decreases	Balance March 31, 2007
Capital assets being depreciated:				
Buildings	\$ 400,585	\$129,578	\$ -	\$ 530,163
Infrastructure	1,602,686	431,933	-	2,034,619
Water plant	618,768	-	-	618,768
Sewer pipeline	3,039,689	-	-	3,039,689
Office equipment	40,518	1,852	-	42,370
Police vehicles	22,570	-	-	22,570
Police equipment	30,330	3,034	-	33,364
Fire trucks/ambulances	395,009	-	-	395,009
Fire equipment	322,360	7,556	-	329,916
Internal service fund equipment	<u>467,981</u>	<u>19,523</u>	<u>10,126</u>	<u>477,378</u>
Subtotal	<u>6,940,496</u>	<u>593,476</u>	<u>10,126</u>	<u>7,523,846</u>
Governmental Activities Less Accumulated depreciation for:				
Buildings	274,255	12,028	-	286,283
Infrastructure	630,663	108,882	-	739,545
Water plant	92,815	12,375	-	105,190
Sewer pipeline	385,341	60,794	-	446,135
Office equipment	32,251	4,388	-	36,639
Police vehicles	6,565	2,257	-	8,822
Police equipment	28,211	1,417	-	29,628
Fire trucks/ambulances	268,071	23,693	-	291,764
Fire equipment	296,187	9,767	-	305,954
Internal service fund equipment	<u>323,517</u>	<u>31,372</u>	<u>10,126</u>	<u>344,763</u>
Subtotal	<u>2,337,876</u>	<u>266,973</u>	<u>10,126</u>	<u>2,594,723</u>
Net capital assets being depreciated:	<u>\$4,602,620</u>	<u>\$326,503</u>	<u>\$ -</u>	<u>\$4,929,123</u>

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Balance April 1, 2006	Increases	Decreases	Balance March 31, 2007
Business-type Activities				
Capital assets not being depreciated:				
Land and land rights	\$ 32,215	\$ -	\$ -	\$ 32,215
Capital assets being depreciated:				
Buildings	1,847,037	\$ -	-	\$1,847,037
Sewage system	624,011	-	-	624,011
Office equipment	8,432	-	-	8,432
Wells, mains, Equipment	906,434	-	-	906,434
Subtotal	3,385,914	-	-	3,385,914
Less Accumulated Depreciation for:				
Buildings	1,092,021	37,339	-	\$1,129,360
Sewage system	453,123	12,480	-	465,603
Office equipment	4,216	1,687	-	5,903
Wells, mains, equipment	676,393	16,346	-	692,739
Subtotal	2,225,753	67,852	-	2,293,605
Net Capital Assets being depreciated	1,160,161	(67,852)	-	1,092,309
Total Business-Type Capital Assets – Net of Depreciation	\$1,192,376	(\$67,852)	\$ -	\$1,124,524

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 5 CAPITAL ASSETS (CONTINUED)

Depreciation expense as charged to programs of the primary government follows:

Governmental Activities	
Public Safety	\$ 37,134
Public Works	73,269
Unallocated depreciation	123,130

Capital assets held by the Village's internal service funds are charged to the various functions based on the asset usage:

Public Safety	6,809
Public Works	<u>26,631</u>

Total – Governmental Activities column of Statement of Activities	<u>\$266,973</u>
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Business-type activities	
Sewer	\$ 51,396
Water	<u>16,456</u>

Total – Business -Type Activities column of Statement of Activities	<u>\$ 67,852</u>
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Construction Commitments-The Village has no active construction projects at year-end.

Downtown Development Authority – The Authority has no active construction projects at year-end.

NOTE 6 LONG-TERM DEBT

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village government. County contractual agreements and installment purchase agreements are also general obligations of the Village. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Village is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 6 LONG-TERM DEBT (CONTINUED)

Bond and contractual obligation activity can be summarized as follows:

	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-Type Activities				
Limited Tax General Obligation Bonds				
1997 Water System Improvement- to construct water treatment plant; \$590,000 bonds; 4.8-7.0% interest; maturing April 2017.	\$ 400,000	\$ (25,000)	\$375,000	\$ 30,000
1997 Sewage Disposal System- to construct sewage disposal system; \$1,640,000 bonds; 4.2-6.7% interest; maturing April 2017.	1,105,000	(75,000)	1,030,000	80,000
2001 Sanitary Sewer-to reconstruct sewage disposal system; \$1,510,000 bonds; 4.35-5.1% interest; maturing April 2022.	<u>1,460,000</u>	<u>(30,000)</u>	<u>1,430,000</u>	<u>35,000</u>
Total Business-Type Activities	<u>\$2,965,000</u>	<u>(\$130,000)</u>	<u>\$2,835,000</u>	<u>\$145,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End March 31</u>	Business-Type	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 145,000	\$ 139,378
2009	160,000	132,540
2010	180,000	124,938
2011	190,000	116,283
2012	210,000	106,996
2013-2017	1,320,000	362,542
2018-2022	<u>630,000</u>	<u>95,463</u>
Total	<u>\$2,835,000</u>	<u>\$1,078,140</u>

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 7 RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for workers' compensation, general liability and medical and participates in the Michigan Municipal League risk pool for claims related to the above coverage. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority to pay claims up to the member's retention limits, the ultimate liability for those claims remains with the Village.

NOTE 8 EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The Village established a Money Purchase Plan for substantially all of its employees that have completed one year of service and have attained age 18. The Plan provides for an annual employer contribution of up to \$3,120 based on an amount equal to a percentage of eligible compensation. All eligible employees may make voluntary contributions of up to ten percent (10%) of their compensation to the Plan.

The Village's total payroll during the current fiscal year was \$635,666. The current fiscal year Money Purchase Plan contribution was calculated based on covered payroll of \$429,913 resulting in an employer contribution of \$16,902 or 3.93% of covered payroll.

For the period April 1, 2006 to August 31, 2006 the Village contributed 8% and 5% to the pension plans of the Village Manager and Police Chief, respectfully. Effective September 1, 2006 and for the remainder of the fiscal year, the Village contributed 5% of the Village Manager's eligible compensation to a pension plan. Total eligible compensation was \$75,096, resulting in an employer contribution of \$4,410.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2007**

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Resources (inflows)				
Taxes and penalties	\$ 859,246	\$ 859,246	\$ 796,647	\$ (62,599)
Licenses and permits	20,436	20,436	10,661	(9,775)
State grants	1,200	1,200	100,015	98,815
Charges for services	58,757	58,757	58,193	(564)
Fines and forfeitures	11,000	11,000	13,891	2,891
MSHDA lease rents	-	-	30,000	30,000
Interest	7,500	7,500	19,835	12,335
Other revenue	27,500	27,500	17,795	(9,705)
Contributions	11,343	11,343	6,964	(4,379)
Amounts available for appropriations	996,982	996,982	1,054,001	57,019
Charges to appropriations (outflows)				
General government				
Council	169,469	169,469	316,039	(146,570)
Village manager	39,353	39,353	39,780	(427)
Treasurer	4,787	4,787	4,569	218
Clerk	4,512	4,512	4,006	506
Elections	-	-	-	-
Contracted services	16,500	16,500	14,963	1,537
Public safety				
Police	421,924	421,924	394,585	27,339
Fire/EMS	121,814	121,814	108,842	12,972
Building inspector	9,861	9,861	7,797	2,064
Public works				
Buildings and grounds	141,268	141,268	160,793	(19,525)
Contribution to DDA	4,500	4,500	4,500	-
Contribution-ambulance subsidy	2,095	2,095	-	2,095
Transfers to other funds	59,432	59,432	13,000	46,432
Total charges to appropriations	995,515	995,515	1,068,874	(73,359)
Excess (deficiency) of resources over charges to appropriations	1,467	1,467	(14,873)	(16,340)
Beginning of Year Fund Balance	261,913	261,913	261,913	
End of Year Fund Balance	\$ 263,380	\$ 263,380	\$ 247,040	\$ (16,340)

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

**BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND
FOR THE YEAR ENDED MARCH 31, 2007**

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Resources (inflows)				
State shared revenue -				
gas and weight tax	\$ 120,446	\$ 120,446	\$ 115,088	\$ (5,358)
Federal grant	375,000	375,000	270,000	(105,000)
County road tax	-	-	15,325	15,325
Interest income	1,250	1,250	5,954	4,704
Amounts available for appropriations	496,696	496,696	406,367	(90,329)
Charges to appropriations (outflows)				
Public works				
road construction	348,000	348,000	406,695	(58,695)
street maintenance	42,871	42,871	43,916	(1,045)
traffic service	7,575	7,575	4,067	3,508
snow removal	24,496	24,496	19,502	4,994
nonmotorized	1,204	1,204	19,526	(18,322)
supervision	11,127	11,127	17,578	(6,451)
Transfers to other funds	775	775	-	775
Total charges to appropriations	436,048	436,048	511,284	(75,236)
Excess (deficiency) of resources over charges to appropriations	60,648	60,648	(104,917)	(165,565)
Beginning of Year Fund Balance	163,240	163,240	163,240	
End of Year Fund Balance	\$ 223,888	\$ 223,888	\$ 58,323	\$ (165,565)

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

**BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND
FOR THE YEAR ENDED MARCH 31, 2007**

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Resources (inflows)				
State shared revenue -				
gas and weight tax	\$ 42,565	\$ 42,565	\$ 42,304	\$ (261)
County road tax	-	-	25,004	25,004
Interest income	100	100	1,266	1,166
Transfers in from other funds	54,932	54,932	-	(54,932)
Amounts available for appropriations	97,597	97,597	68,574	(29,023)
Charges to appropriations (outflows)				
Public works				
street maintenance	34,213	34,213	42,848	(8,635)
traffic service	7,280	7,280	4,623	2,657
snow removal	18,620	18,620	18,846	(226)
nonmotorized	426	426	-	426
supervision	31,829	31,829	16,185	15,644
Transfers to other funds	775	775	-	775
Total charges to appropriations	93,143	93,143	82,502	10,641
Excess (deficiency) of resources over charges to appropriations	4,454	4,454	(13,928)	(18,382)
Beginning of Year Fund Balance	37,438	37,438	37,438	
End of Year Fund Balance	\$ 41,892	\$ 41,892	\$ 23,510	\$ (18,382)

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

COMBINING BALANCE SHEET OF NONMAJOR GOVERNMENTAL FUNDS
March 31, 2007

	Debt-Service Water Fund	Debt-service Sewer 2001 Fund	Capital Improvements Fund	Sinking Fund
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 27,124	\$ 8,196
Investments	10,911	53,948	-	-
Taxes receivable	2,160	3,997	-	-
Assets restricted by bond indentures	84,770	-	-	-
Total Assets	<u>\$ 97,841</u>	<u>\$ 57,945</u>	<u>\$ 27,124</u>	<u>\$ 8,196</u>
LIABILITIES				
Due to other funds	<u>\$ 552</u>	<u>\$ 2,179</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE				
Reserved	\$ 97,289	\$ 55,766	\$ 27,124	\$ 8,196
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Equity	<u>97,289</u>	<u>55,766</u>	<u>27,124</u>	<u>8,196</u>
Total Liabilities and Fund Equity	<u>\$ 97,841</u>	<u>\$ 57,945</u>	<u>\$ 27,124</u>	<u>\$ 8,196</u>

See accompanying notes to financial statements

Forfeiture Fund	4th of July Fund	Harvest Fund	Total Nonmajor Governmental Funds
\$ 5,268	\$ 2,974	\$ 1,360	\$ 44,922
-	-	-	64,859
-	-	-	6,157
-	-	-	84,770
<u>\$ 5,268</u>	<u>\$ 2,974</u>	<u>\$ 1,360</u>	<u>\$ 200,708</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,731</u>
\$ -	\$ -	\$ -	\$ 188,375
5,268	2,974	1,360	9,602
<u>5,268</u>	<u>2,974</u>	<u>1,360</u>	<u>197,977</u>
<u>\$ 5,268</u>	<u>\$ 2,974</u>	<u>\$ 1,360</u>	<u>\$ 200,708</u>

VILLAGE OF CONSTANTINE, ST. JOSEPH COUNTY, MICHIGAN

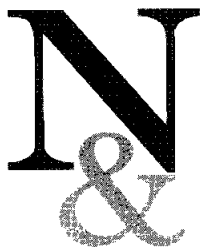
**COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2007**

	Debt-Service Water Fund	Debt-service Sewer 2001 Fund	Capital Improvements Fund	Sinking Fund
Revenues				
Taxes and Penalties	\$ 56,154	103,894	\$ -	\$ -
Interest income	4,898	4,004	1,070	-
Contributions from the public	-	-	-	-
Miscellaneous income	-	916	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	61,052	108,814	1,070	-
Expenditures				
Current				
General government	-	-	-	-
Capital outlay	-	-	2,412	-
Debt Service				
Paying agent fees	300	500	-	-
Principal payments	25,000	30,000	-	-
Interest payments	22,635	68,653	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	47,935	99,153	2,412	-
Excess (deficiency) of Revenues Over Expenditures	13,117	9,661	(1,342)	-
Other Financing Sources (Uses)				
Transfers in	-	-	2,325	5,500
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	13,117	9,661	983	5,500
Fund Balance - April 1, 2006	84,172	46,105	26,141	2,696
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance - March 31, 2007	<u>\$ 97,289</u>	<u>\$ 55,766</u>	<u>\$ 27,124</u>	<u>\$ 8,196</u>

See accompanying notes to financial statements



Forfeiture Fund	4th of July Fund	Harvest Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 160,048
-	-	8	9,980
-	12,483	1,484	13,967
<u>577</u>	<u>-</u>	<u>-</u>	<u>1,493</u>
577	12,483	1,492	185,488
374	10,240	450	11,064
<u>2,777</u>	<u>-</u>	<u>-</u>	<u>5,189</u>
-	-	-	800
-	-	-	55,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>91,288</u>
<u>3,151</u>	<u>10,240</u>	<u>450</u>	<u>163,341</u>
(2,574)	2,243	1,042	22,147
<u>-</u>	<u>-</u>	<u>-</u>	<u>7,825</u>
(2,574)	2,243	1,042	29,972
<u>7,842</u>	<u>731</u>	<u>318</u>	<u>168,005</u>
<u>\$ 5,268</u>	<u>\$ 2,974</u>	<u>\$ 1,360</u>	<u>\$ 197,977</u>



Norman & Paulsen, P.C.

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To the Village Council and Village Manager of the
Village of Constantine

In planning and performing our audit of the financial statements of the Village of Constantine as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Constantine's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Constantine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Constantine's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Financial Statement Preparation Controls

The Village does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including required financial statement disclosures. The Village does have procedure in place to convert the cash basis trial balance to accrual basis.

We have been contracted by the Village to prepare the financial statements and related disclosures based on information provided by the Village's management. This service is allowed under the AICPA ethics guidelines and may be the most efficient and effective method for preparing the Village's financial statements. The Village's management have reviewed and taken responsibility for these financial statements.

Budget Controls

For the year ended March 31, 2007 the budget adopted by the Village Council was in violation of Public Act 621 of 1978 as amended. Actual expenditures exceeded appropriations in several categories. We recommend the Village Council continually monitor the adopted budget and amend as needed.

Donald L. Paulsen, CPA
Patrick J. Monahan, CPA
Bruce S. A. Gosling, CPA
Michael R. Wilson, CPA
Rick L. Strawser, CPA
Jerrel T. Norman (1941-1982)

This communication is intended solely for the information and use of management, the Village Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Norman & Paulsen

Norman & Paulsen, P.C.

Three Rivers, Michigan
November 28, 2007